



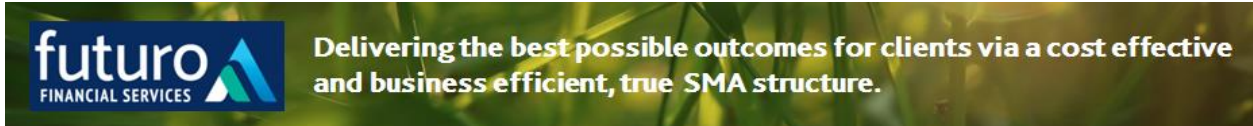
Futuro Financial Services Ex-20 Australian Equities Portfolio

August 2020

Private & Confidential – for use by Futuro Financial Services only



Futuro Financial Services + Aberdeen Standard Investments
 An investment partnership centered on your client's goals and ambitions



Ex-20 Australian Equities SMA

1. Name	Sterling Aberdeen Standard Ex-20 Australian Equities Portfolio
2. Investment Objective	The model portfolio aims to outperform the S&P/ASX 300 TR Index, after fees, over rolling 5-year periods.
3. Investment Strategy	The manager seeks to identify and invest in quality Australian listed securities that have the potential for capital growth and increased earning potential. The model will invest in a concentrated portfolio of 15-40 companies that are listed on the Australian Securities Exchange (ASX), excluding the largest 20 securities in the S&P/ASX 300 Accumulation Index. Companies will be selected using fundamental research and an emphasis on first-hand company visits. If a security held in the portfolio moves into the S&P/ASX 20 Index, it will be sold within 12 months.
4. Model Portfolio Manager	Sterling Managed Investments Pty Ltd (ABN 85 135 834)
5. Model Consultant	Aberdeen Standard Investments Australia Limited (ABN 59 002 123 364 and AFSL 240263)
6. Benchmark	S&P/ASX 300 TR Index
7. Cash limit	0-20%
8. Target number of stocks	15-40
9. Individual Stock Exposure limit	10% absolute
10. GICS Sector Limits	+/- 25%
11. Suggested Minimum Investment Amount	\$25,000

<p>12. Who is this option suitable for?</p>	<p>The portfolio is designed for investors who are seeking:</p> <ul style="list-style-type: none"> • A concentrated portfolio of Australian securities excluding the largest 20 securities of the S&P/ASX 300 TR Index (as measured by market capitalisation) • Capital growth over the medium to long-term • Are prepared to accept the risk of price fluctuations
<p>13. Investment Strategy and Approach</p>	<p>As active equity investors, the manager believes that deep fundamental research, responsible stewardship with ESG, and a disciplined investment process is the best approach to meet client investment needs – now and in the future.</p> <p>The investment approach is underpinned by three core investment beliefs.</p> <ul style="list-style-type: none"> • Fundamental research delivers insights that can be used to exploit market inefficiencies. Company fundamentals ultimately drive share prices but are often valued inefficiently in the shorter term. The manager believes that fundamental research is the key to delivering insights that allow exploiting these inefficiencies and to identify the best investment opportunities for client portfolios. • ESG assessment and corporate engagement enhances returns. The manager places constructive engagement and environmental, social and governance (ESG) considerations at the heart of company research, ensuring they are responsible stewards of clients’ assets. The manager believes that this approach can mitigate risks and enhance returns for clients, as companies with robust ESG practices tend to enjoy long-term financial benefits. • Disciplined, active investment can deliver superior outcomes for clients. The manager aims to build high conviction portfolios where stock-specific insights drive performance, giving clients access to the manager’s best investment ideas. <p>The market often systematically underestimates the sustainability of returns from high quality companies. The manager takes a Long Term Quality (LTQ) approach by focusing on companies that research analysts identify as high quality. This involves assessing each company on five key factors; namely the durability of the business model & moat, the attractiveness of the industry, the strength of financials, the capability of management, and an assessment of the company’s ESG credentials.</p>

Model Portfolio Fees

Sterling Aberdeen Standard Ex-20 Australian Equities Portfolio	0.60% p.a.
---	------------

* There are no performance fees

Investment Philosophy

Our investment philosophy can best be described as having a focus on “long term quality”. However, we believe, given the inefficiency of markets, that superior long-term returns are achieved by identifying good quality stocks at a reasonable price and holding for the long term. Sound fundamentals drive stock prices over time. We identify good companies from first-hand research, and add value from active management, which constitutes intensive and ongoing scrutiny at the company level.

We hold absolute return to be more important over the long term than index-relative return. We do not see indices as providing meaningful guidance to the prospects of a company or its inherent worth. Neither market capitalisation nor index membership is a guarantee of quality either. As such, we do not use indices as a starting point for building a portfolio, preferring to rely on common sense checks and the principles of diversification. We are comfortable taking decisive positions away from the benchmark, underpinned by convictions from proprietary analysis.

Sound fundamentals drive stock prices over time. We identify good companies from first-hand research, and add value from active management.

Investment Process

We follow a bottom-up process based on a disciplined evaluation of companies through direct visits. Stock selection is the major source of outperformance. We estimate a company's worth in two stages, quality then price. Quality is defined in reference to business prospects, management, financials, transparency and commitment to shareholder value. Price is calculated in absolute terms using key financial ratios and assessed relative to market, peer group, business prospects and the existing portfolio.

Top-down factors are secondary in portfolio construction, with diversification guiding sector weights within formal control limits. Aberdeen Standard Investments portfolios are generally conservatively run, with an emphasis on traditional buy-and-hold, with top-slicing on strength and topping up on weakness – rather than name changes – driving active changes and resulting in low turnover.

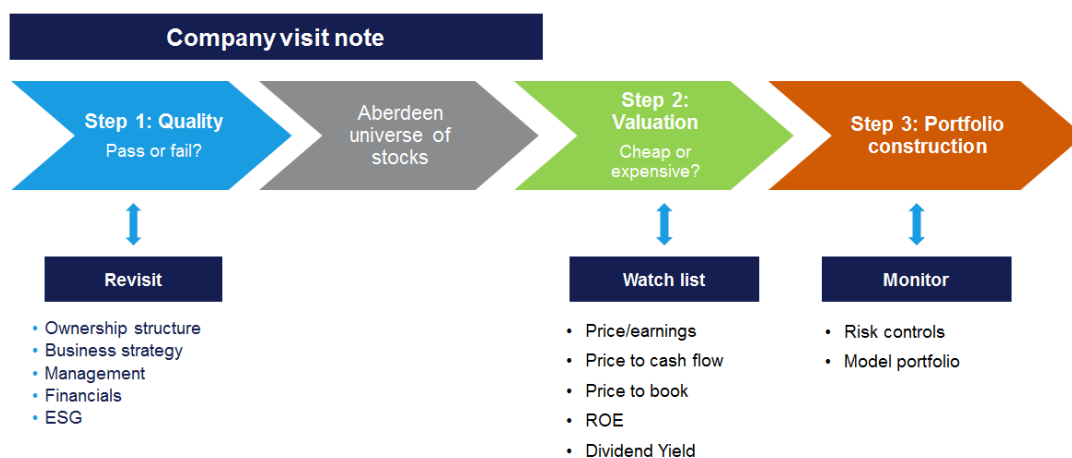
Aberdeen Standard Investments does not employ separate research analysts. Instead, our investment managers combine the role of analyst with that of portfolio manager. All team members visit companies and complete research notes. Company visits are rotated across team members regardless of sector. In addition investment managers have portfolio responsibilities including the day-to-day monitoring of liquidity (note that managers do not take investment decisions unilaterally). The overall result of this matrix approach is a high degree of cross coverage, leading to a deeper understanding of our holdings.

First-hand company research is produced in-house, rather than externally generated. The objective is to control – and avoid – unnecessary risks at the security level. Idea generation mainly happens internally through interaction within our networks. External research may be used at the initial stage of our investment process, when we are identifying which companies we wish to research more fully. We occasionally use external research as an additional source of information and comparison to our own analysis. However, we never rely on broker research when making an investment decision.

Our contention is that one of the most effective ways of protecting against downside risk is to know your counterpart. Therefore, we have a strict rule of never investing in a company without having first met its management. After each visit, the investment manager completes a research note in a standard format, which is circulated and then filed centrally on a database that is accessible to all relevant parties within the Group. The investment team then discusses the note at its next weekly meeting, and at ad hoc meetings, and a decision is then made to ignore/watch/hold/buy/sell.

The Equity Team will visit companies in the portfolios at least once prior to investment and in many cases multiple times, over a period of time, as we build our knowledge and conviction. Once a company is added to the portfolio we aim to visit it every six months with additional ad hoc meetings scheduled as applicable. In addition, a note is written and circulated after each results announcement. We meet with companies on the watch/review list on a regular basis; at least once annually.

Investment process diagram



Our stock selection process contains two filters:

Primary filter: “Quality”

We assess the quality of a business through our own proprietary research which is conducted via meetings with company management. In reality it may take a number of meetings over a period of time for us to build our quality conviction. We do not utilise broker or third party research other than for idea generation. In addition to meeting company management we will often meet with listed and unlisted competitors to gain further industry and company insight. This research may also be conducted by Aberdeen Standard Investments’ offshore investment managers where applicable. Aberdeen Standard Investments’ offshore managers will also provide market intelligence where locally listed companies are operating or trading overseas. Due diligence can include visits to local and offshore offices or manufacturing facilities, thereby allowing us to rationalise actual business operations versus stated management strategy and goals.

When filtering for quality, we look at the following:

Business prospects/strategy – evidence of industry growth, clear strategy and execution

Management team – motivation, experience, track record, remuneration

Financials – financial statements including capital structure, cashflow and dividend yield

Transparency – company structure, visible earnings, annual report

Commitment to shareholder value – run for minority (all) shareholders, corporate governance

The purpose of the above is to determine the quality of the underlying business fundamentals of the company in question and assess whether it is able to deliver future growth for shareholders.

Secondary filter: “Price”

Companies that pass the ‘quality’ filter are then assessed for valuation on an absolute and relative basis. Determining which metrics are most relevant depends on the type of business we are investigating and, equally, where we are in the

economic cycle. Usually our estimates are conservative versus consensus and our own three-year forecasts. One of the key disciplines in our process is to avoid over-paying. Given our long-term approach, we are willing to be patient.

We also estimate the value of a company relative to its market price and to valuations of similar companies within a relevant universe (which may include offshore peers) to ascertain if downside risk is sufficiently reflected at prevailing price levels.

All companies are assigned a dual ranking, 1-5, with 1 the highest. To pass, a company requires a minimum of 3 for both quality and price before it can be considered for the portfolio.

We follow a bottom-up process based on a disciplined evaluation of companies through direct visits. Stock selection is the major source of outperformance.

Portfolio Construction

Portfolios are constructed to maximise their level of exposure to the most attractive companies filtered from the stock selection process. Weightings are not set relative to the index, and where appropriate the portfolio can contain non-index positions. We do not actively allocate to cash, and seek to be fully invested.

We run a representative or 'model' unconstrained portfolio that contains up to 40 companies at any one time. This represents a concentrated model of our best ideas driven by the conviction derived from our first-hand research.

In short, we are willing to invest a meaningful amount of capital in those companies we identify as providing the best investment opportunities and will not hold any company that fails to meet our quality or valuation criteria, regardless of index weight.

The weightings in the portfolio are a reflection of our level of comfort in a company based on our quality and valuation assessments. Diversification is derived from building a portfolio of complimentary companies which are lowly correlated rather than simply holding more positions.

Diversification is derived from building a portfolio of complimentary companies which are lowly correlated rather than simply holding more positions.

Competitive advantage that underlies these SMA portfolios

The key competitive advantage that underlies these SMA portfolios is the depth and breadth of investment management resources we are able to utilise both onshore and around the world. As more Australian companies expand offshore, whether seeking new markets or relocating facilities, our global coverage provides greater insights.

The Aberdeen Standard Investment Australian Equity Team is part of a larger regional and global investment team. Our clients benefit from the additional resources we can utilise when assessing local investment opportunities. Aberdeen Standard Investments' offshore managers can provide intelligence on foreign markets where Australian-listed companies are operating or trading. They will also conduct due diligence including visits to offshore offices or manufacturing facilities, thereby allowing us to rationalise actual business operations versus managements' stated strategy and goals. Finally they also provide insight on similar businesses offshore including direct competitors of local companies. This depth and breadth of coverage differentiates us from many of our local peers and allows us to consider each investment from multiple sources through first-hand research.

We view risk at a company specific level, with a key focus on identifying and understanding potential downside risks. Our proprietary research includes a review of management, financial statements, and ownership structures. The discipline of this process coupled with our downside focus differentiate us from many of our peers and typically results in a portfolio that provides more downside protection in what can be a volatile sector of the market.

Our competitive advantage is founded in proprietary research, cross-coverage, a team-based approach (we don't believe in 'star managers') and the broad global experience of our senior members. These factors provide us the confidence to take a long-term and sometimes contrarian view. We avoid businesses which are not transparent or ones with discriminatory shareholder structures, thereby seeking to further minimise downside risk for our clients. Our low turnover and long holding periods can also result in a more tax efficient vehicle for our clients.

Our competitive advantage is founded in proprietary research, cross-coverage & a team-based approach.

This document and any supporting material are only intended for professional investors. Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments. Neither Aberdeen Standard Investments Australia Limited ABN 59 002 123 364 AFSL No. 240263, nor any member of the Standard Life Aberdeen Group guarantees the repayment of capital, performance or any distribution from the portfolio. Investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested.

Although non-Aberdeen Standard Investments specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. All indices are copyrighted by and proprietary to the issuer. Past performance is not an indicator of future results. Any performance forecasts are not promises of future performance and are not guaranteed.

Opinions expressed may change. This document describes some current internal investment guidelines and processes. These are constantly under review, and may change over time. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of Aberdeen Standard Investments, and does not vary the terms of any relevant investment management agreement or Product Disclosure Statement.

You must not copy, modify, sell, distribute, adapt, publish, frame, reproduce or otherwise use any of this material without the prior written consent of Aberdeen Standard Investments.